Highway Bid Prices Continue

Highway bid prices are experiencing the most severe cost spiral in the construction industry. Bid prices are increasing at a rate of nearly 1.2%-per-month. That would mean, for example, that a job let at $7 million in September, '68, would have cost $1 million more if let a year later.

Third quarter highway bid prices across the nation are up 4.6% over the previous quarter, according to the Bureau of Public Roads.

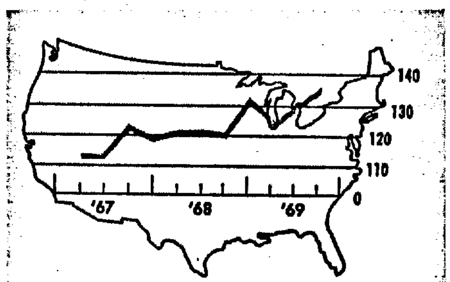
BPR's latest composite index is at 136.3, an all time high. At prices 14% higher than a year ago, America's streets are indeed "paved with gold."

Early this year when state highway officials indicated to ENR their intentions to push '69 lettings 46% above '68, such overwhelming volume seemed a pipe dream. But the smoke has turned to fire. Total bridge and highway bidding volume through November ran an unprecedented 29.5% over 1968's pace. A total of $6.8 billion in highway and bridge contracts have been let as of November, compared with $5.3 billion for the same 1968 period.

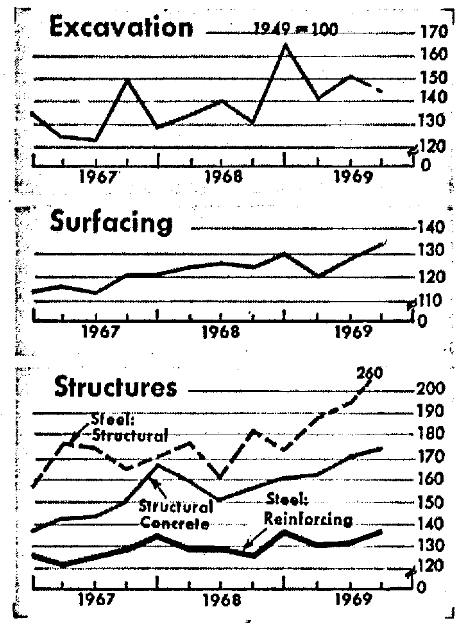
Picking out the cost culprits in the third quarter is a lot easier than picking up the bill: structural steel rose 35% over the second quarter, and Portland cement surfacing moved up 18.5% during this time.

BPR bid price index gains 4.6% in 3rd quarter

- Excavation drops 4.9%
- Surfacing up 5.6%
- Structures soar 13.6%



BPR Index
(1957-59=100)



Reinforcing steel was another big gainer this quarter, up almost 9% over the second quarter, matching the 14% composite bid price gain for the year.

The average price of structural concrete was $81.20-per-cu-yd, only 1.9% higher than last quarter. However, price hikes on this item earlier in the year have brought it 11.7% higher in 12 months.

Bituminous concrete is the only item runing against the grain on the BPR index. At $6.69-per-ton, it fell 6% from the second to the third quarter, and is just 1.2% more expensive than a year ago.

The average excavation price also fell this quarter, by nearly 5%. But when compared to the figure that was reached a year ago, at $0.58-per-cu-yd, this item is up 11.5%.

U. S. Bureau of Public Roads Indexes

	Excavation Price (cy)	Excavation Index	Surfacing: Port cmnt conc Price (sy)	Surfacing: Bit conc Price (t)	Surfacing: Combined Index	Structures: Reinf steel Price (lb)	Structures: Str. steel Price (lb)	Structures: Str. conc Price (cy)	Structures: Combined Index	Highway Bid Price Index	ENR Construction Cost Index
1957–'59 = 100	$0.42†	100.0	$4.38†	$6.66†	100.0	$0.129†	$0.195†	$54.18†	100.0	100.0	100.00
1965 Av.	**0.47**	**112.1**	**4.43**	**6.37**	**98.3**	**0.123**	**0.200**	**60.63**	**106.0**	**105.7**	**127.80**
Q1	0.46	110.0	4.33	6.04	94.7	0.120	0.194	60.47	104.4	103.2	126.02#
Q2	0.48	115.5	4.47	6.49	99.6	0.120	0.198	60.41	105.0	106.9	127.55#
Q3	0.46	108.8	4.67	6.61	102.7	0.127	0.203	61.67	108.1	106.7	129.80#
Q4	0.48	114.8	4.31	6.41	97.3	0.127	0.206	60.16	107.0	106.6	130.00#
1966 Av.	**0.52**	**124.3**	**4.61**	**6.36**	**100.2**	**0.127**	**0.224**	**54.11**	**113.6**	**113.0**	**134.3**
Q1	0.49	116.7	4.48	6.04	96.3	0.129	0.215	64.70	113.0	109.0	131.4#
Q2	0.52	122.9	4.84	6.53	104.0	0.128	0.218	64.91	113.7	113.7	135.4#
Q3	0.54	129.0	4.65	6.63	102.8	0.126	0.234	63.12	114.2	115.6	136.5#
Q4	0.53	126.4	4.45	6.15	96.9	0.126	0.225	64.20	113.9	112.8	136.5#
1967 Av.	**0.54**	**128.1**	**4.53**	**6.42**	**99.8**	**0.130**	**0.246**	**70.26**	**123.4**	**117.6**	**140.9**
Q1	0.50	119.5	4.43	6.34	98.1	0.124	0.254	66.74	120.6	113.2	137.8#
Q2	0.50	118.1	4.43	6.15	96.5	0.127	0.252	67.07	121.0	112.3	140.5#
Q3	0.60	143.1	4.65	6.58	102.3	0.133	0.237	70.10	122.2	123.0	143.7#
Q4	0.52	122.9	4.61	6.59	102.1	0.137	0.244	77.77	131.0	119.2	144.5#
1968 Av.	**0.55**	**131.9**	**4.86**	**6.68**	**105.4**	**0.131**	**0.249**	**72.70**	**126.2**	**121.6**	**151.9**
Q1	0.54	127.4	4.78	6.66	104.5	0.133	0.252	74.34	128.5	120.6	147.2#
Q2	0.57	134.5	4.86	6.73	105.8	0.130	0.233	70.48	121.5	121.2	152.2#
Q3	0.52	124.8	4.83	6.61	104.6	0.129	0.260	72.67	127.7	119.5	156.5#
Q4	0.66	157.6	5.16	6.75	109.3	0.133	0.249	74.71	128.4	132.3	158.4#
1969											
Q1	0.57	134.5	4.44	6.78	101.6	0.134	0.268	75.67	132.6	123.5	162.9#
Q2	0.61	144.5	4.65	7.12	106.6	0.135	0.276	79.72	137.8	130.3	169.1#
Q3	0.58	137.4	5.51	6.69	112.6	0.147	0.373	81.20	156.6	136.3	169.1#
% change											
Q2 '69–Q3 '69	−4.9	−4.9	+18.5	−6.0	+5.6	+8.9	+35.1	+1.9	+13.6	+4.6	0
Q3 '68–Q3 '69	+11.5	+10.1	+14.1	+1.2	+7.6	+14.0	+43.5	+11.7	+22.6	+14.1	+8.1#

*† Prices for base year index. *# Last month of quarter.

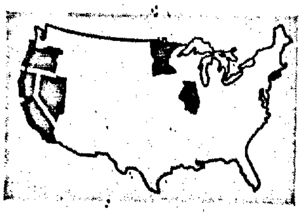
• **The outlook**—The high level of dollar volume for highway work has enough momentum to carry over into the first few months of 1970. After that, federal cutbacks may make some inroads in the amount of work available, with an overall volume gain of from 5% to 6% over 1969.

Whether the cutbacks will make inroads in cost reduction next year is another question. Cutbacks in past years have resulted in higher unit prices for some time after they take effect. This occurs when a shortage of money forces state highway departments to let smaller, low mileage jobs. Big paving equipment can't be used efficiently under these circumstances, and low volume material purchases add additional expense to the work.

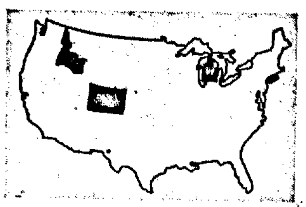
Labor rates for highway jobs will escalate at least 15% next year. And cement mills have told ENR to expect $0.25-per-bbl hikes as of January 1. Another certain increase will come in rebar costs, which rise at warehouses across the country this month.

Severe Upswing; Volume Soars

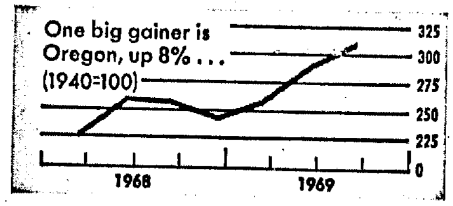
Most state indexes are up in 3rd quarter

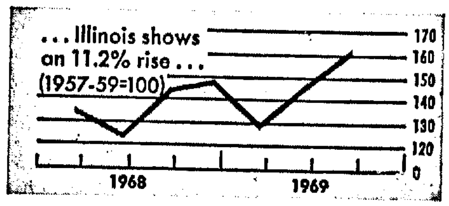


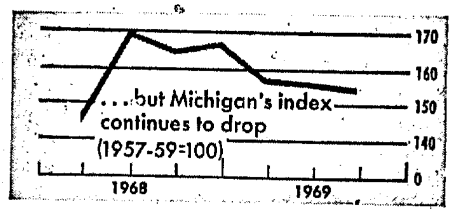
5 states rise . . .



. . . 3 states drop







• States suffer increases—Of the eight states reporting their own bid price indexes this quarter, five showed increased highway costs. Leading the pack was Oregon, citing an 8% increase over the previous quarter. Since the third quarter of 1968, Oregonians have paid 21% more for their highways. This quarter's increase was due primarily to structural steel costs, which soared 25%. Crushed rock prices added fuel to the fire, up 20% this quarter.

The Illinois index blasted 11.2% higher than the second quarter. This was due to a 22% increase for structures, and a 9% gain for grading. The state now shows a 13.2% overall cost increase for 12 months.

Another state showing considerable price hikes was Minnesota. Its index shot up 5.3% from the second to the third quarter, a rise of 15.8% over September, 1968.

A drop in the number of bidders, coupled with extreme increases in excavation costs, sent Nevada's index 6.2% higher than the previous quarter. In spite of this gain, Nevada's index is still 3% lower than it was during third quarter 1968.

• California prices up—California's bid price index shows a 6% gain over the second quarter. The increase is a result of the same items that pushed the BPR index upward. Structural steel costs went up 5.3%, PCC paving rose 13% and concrete structures 9%. Still, the current index figure is 2% below the index value of a year ago.

Michigan's index slipped 1% this quarter to a figure that is 6.7% below the third quarter of 1968. This was the result of a modest schedule during 1969 that had local contractors beating down doors and each other to get work.

Typical was a recent contract, worth only a few million dollars, that attracted some 13 bidders with obvious results on bid prices.

The Colorado bid price index fell 7.4% this quarter, but still remained 17.7% over last year's figure. Reductions in the cost of excavation and surfacing caused the decrease. Higher interest rates, equipment costs and wage increases, coupled with the effect of awarding $26 million in contracts during one quarter, have kept the index high.

The Idaho index remained virtually unchanged from the second to the third quarter, but is still riding 12% above last year's third quarter figure.

• Fewer bidders—The average number of bidders per job can sometimes help explain cost fluctuation in a state. When there's plenty of work around, as was the case this quarter, a contractor can relax and just bid on the jobs which best fit his crews, equipment, and schedule. Under these circumstances, it's a safe bet he won't waste too much time sharpening pencils.

Colorado's average number of bidders per highway contract was 5.24, an all-time low for that state. California and Nevada both showed slight drops in their average, to 4.0 and 2.9-per-project, respectively.

Highway Bid Price Indexes in 9 States

Reported by State Highway Departments

Base Year = 100	California 1940	Colorado '57-'60	Idaho 1950	Illinois '57-'59	Michigan '57-'59	Minnesota '57-'59	Nevada 1955	Oregon 1940	Virginia '57-'60
1965 Av.	261.9	115.8	128.7	114.3	125.6	111.4	116.8	224.8	115.4
Q1	249.6	110.1	125.9	109.1	120.0	109.2	109.3	225.6	110.0
Q2	269.0	145.2	136.4	104.8	116.2	106.1	116.1	253.8	120.8
Q3	268.0	108.6	124.1	126.7	127.9	128.0	112.7	232.4	119.7
Q4	281.9	113.0	128.2	107.1	134.7	120.8	131.5	200.5	121.0
1966 Av.	290.5	100.9	123.7	113.1	149.6	118.7	115.3	234.0	114.4
Q1	298.9	91.1	120.2	112.6	139.3	116.9	111.3	214.3	121.6
Q2	304.5	114.3	122.1	114.0	145.9	122.9	134.2	242.2	118.6
Q3	283.8	104.5	146.1	113.5	151.6	132.9	113.5	256.2	123.8
Q4	271.8	121.3	134.5	128.7	160.7	119.4	151.0	236.7	106.1
1967 Av.	271.7	101.8	107.5	132.0	163.9	118.8	121.1	223.2	115.9
Q1	261.3	88.0	103.8	121.7	162.1	109.8	132.4	259.2	108.5
Q2	275.0	98.0	130.3	124.9	163.6	123.6	117.5	202.4	119.2
Q3	265.9	109.1	126.5	129.6	165.0	119.2	101.9	226.1	127.8
Q4	296.4	101.8	103.0	156.5	164.4	129.7	157.5	251.2	127.7
1968 Av.	282.5	104.8	106.6	136.6	168.8	115.3	122.5	237.8	118.5
Q1	290.7	105.0	113.9	136.3	145.8	112.1	125.8	230.4	109.6
Q2	279.0	117.0	100.5	126.6	170.8	123.6	125.9	267.0	134.8
Q3	299.4	105.9	104.5	144.8	165.2	113.3	164.6	260.1	116.6
Q4	277.5	99.9	131.9	148.3	166.7	118.3	111.9	245.8	a
1969									
Q1	296.8	97.3	100.1	130.4	156.9	115.5	255.4	263.3	a
Q2	277.2	134.6	117.3	147.3	155.7	130.1	150.4	290.8	125.9
Q3	293.7	124.6	117.2	163.8	154.1	137.0	159.7	314.2	a
% change									
Q2 '69-Q3 '69	+6.0	−7.4	−0.1	+11.2	−1.0	+5.3	+6.2	+8.0	....
Q3 '68-Q3 '69	−1.9	+17.7	+12.2	+13.1	−6.7	+15.8	−3.0	+20.8	....

a. Insufficient work let to secure representative prices.